

A photograph of a textile factory. In the foreground, there are large spools of teal and yellow thread on a machine. A worker in a grey shirt and blue overalls is visible on the right, working with the machinery. The background shows more industrial equipment and spools of thread.

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GUIDE

How to create a supplier code of conduct

A step-by-step guide by Worldfavor

worldfavor

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Ready to develop your supplier code of conduct?

This step-by-guide was created to help you create your own supplier code of conduct. Learn how to structure it, what to include, and which standards that you can base your code on. Simply copy it to a document for yourself and make it your own!

What is a supplier code of conduct?

A supplier code of conduct is the official document of rules, expectations, and values that are fundamental for an organization to operate in a social, ethical and environmental manner. It provides guidance and could be described as a guide book of your company’s requirements on stakeholders.

Naturally, we can assume your company follows the law, and expects all stakeholders do so, too. A code of conduct not only defines legal ramifications and set rules, like anti-bribery practices, but communicates what ethical values the organization stands behind, such as inclusiveness, gender equality or other cultural cornerstones.



Who is it aimed for?

A supplier code of conduct is aimed for suppliers and other service providing stakeholders. It should contain your conditions for how your suppliers are required to conduct business to represent your company. Its objective is to communicate your company values and expectations and should enclose rules for stakeholder behavior.



What to include?

A supplier code of conduct can be a binding legal document, and It should include both ethical values and legal compliance of your company standards and commitments, and disclose the consequences of suppliers not being able to meet your standards.



Before you start

Creating a supplier code of conduct is a tailored process for each company and should reflect your unique challenges, visions, and objectives. Think about what's really important to your company and how it translates into expectations for your suppliers. This involves identifying the key principles that you want your supply chain to uphold, such as environmental sustainability, ethical labor practices, and transparency.

So before you start, make sure you've thought about these points:



What's material?

What are the key values your company wants to communicate, and what makes them important to share? If you have completed a materiality analysis, you're halfway there. If not, that's a good place to start.



What's the legal requirement?

If you're in business with suppliers in other countries where local laws might not be sufficient, a code gives you additional legal security. Define all parties affected by your code and which country laws you observe – and skip the needless legal jargon.



What's your desired impact?

Use this document as an opportunity to state your requirements on supplier conduct and practices to make real, value-driven impact. Suppliers have an incentive to improve their processes, if they risk to lose you as a client due to misconduct.



Introduction

All codes of conduct are similar in structure – starting with an introduction. This part should outline your mission and vision, and detail who the code applies to. It can also set out specific expectations for your suppliers, like passing the code to their sub-suppliers, or the willingness to undergo audits.

Introduction

Introduce your company shortly, including your vision and mission statement.

Purpose

Define why your supplier code of conduct exists – what do you wish to achieve with this document?

Scope

Who is the code written for?
Elaborate on who you are addressing when you are talking about suppliers.



Tips!

Invest in the readability of your supplier code of conduct; you want suppliers to pay attention to it. Add visual elements and stick to an easy-to-understand language.

In other words, keep the reader in mind!



Suppliers requirements

Next, set clear expectations for your suppliers’ behaviors. These expectations typically focus on key areas like social responsibility, environmental practices, and governance, though their priority may vary depending on your company’s unique context. Use global standards to ensure your code aligns with industry best practices. The focus and standards relevant to you will depend on factors like your industry, business model, and most prominent risks.

→ Labor conditions and human rights

- Consider:**
- Wages
 - Slavery and child labor
 - Health and safety
 - Working hours

- Standards**
- The Universal Declaration of Human Rights
 - ILO: International Labour Standards UN Global Compact

→ Anti-bribery and corruption

- Consider:**
- Hospitality and gifts
 - Limits of Benefits given and received

- Standards**
- ISO 37001: Anti-bribery management systems

→ Integrity

- Consider:**
- Respect
 - Inclusiveness
 - Discrimination

- Standards**
- OHCHR: Guiding Principles on Business and Human Rights

→ Environment

- Consider:**
- Greenhouse gas emissions
 - Energy usage
 - Climate initiatives

- Standards**
- ISO 14001 Environmental management
 - OECD: Environment
 - The Climate Neutral Now Initiative
 - ISO 50001 Energy Management
 - Science Based Targets

→ Sourcing and materials

- Consider:**
- Material usage
 - Land of origin
 - Farming/production standards
 - Waste management

- Standards**
- ISO 20400:2017 Sustainable procurement
 - The EU’s Waste Framework Directive
 - OECD-FAO Guidance for Responsible Agricultural Supply Chains

→ Financial and accounting practices

- Consider:**
- Financial performance
 - Auditing
 - Reporting

- Standards**
- The EU Taxonomy for sustainable activities
 - Industry-based Sustainability Accounting Standards Board (SASB)
 - Task Force on Climate-related Financial Disclosures (TCFD)
 - GRI: Global Reporting Initiative



Tips!

Just like any contractual terms, avoid overwhelming your suppliers with too many demands at once. Think of it as a journey, gradually introducing stricter conditions as you progress.

Remember, building a sustainable supply chain is a team effort between you and your suppliers. **Therefore, providing support and guidance to your suppliers is key!**



STEP THREE

Supplier understanding and consent

Next, set clear expectations for your suppliers’ behaviors. These expectations typically focus on key areas like social responsibility, environmental practices, and governance, though their priority may vary depending on your company’s unique context. Use global standards to ensure your code aligns with industry best practices. The focus and standards relevant to you will depend on factors like your industry, business model, and most prominent risks.

➔ Non-compliance

Consequences of misconduct and failing to meet your supplier code of conduct

- Sanctions and legal actions
- Corrective actions
- Penalties

➔ Sign-off

Get the representative's signature

- Name of representative
- signature of representative
- Date



Tips!

Divide your topics into requirements and ambitions. This will help you make it clear what is required of your suppliers and what is desired.

Example:
Requirement: Compliance with laws considering working hours and overtime.

Ambition: Suppliers are encouraged to support employees and enforce a reasonable workload.



About Worldfavor

We're on a mission to make sustainable business the mainstream. Today Worldfavor's ESG platform connects over 30,000 companies in 140 countries to make sustainable decisions and create positive impact.

Worldfavor's platform empowers companies to seamlessly monitor crucial environmental, social, and governance topics to align with regulations, reduce emissions, and improve overall transparency and sustainability throughout their value chain.

Let's talk!